

Message Text

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TAGS: ECON, IR

SUBJ: REVISED IRANIAN FIFTH DEVELOPMENT PLAN

REF: TEHRAN A-95 OF MAY 29, 1973

1. SUMMARY: REVISED FIFTH DEVELOPMENT PLAN SHOWS TOTAL DEVELOPMENT OUTLAY OF \$68.6 MILLION OR NEARLY DOUBLE ORIGINAL PROJECTION. BIG INCREASES EXPECTED IN EXPENDITURES FOR ELECTRICITY, CONSTRUCTION, PETROLEUM, AGRICULTURE AND INDUSTRY. GNP EXPECTED TO RISE TO ABOUT \$54 BILLION. EMPHASIS IS TO BE PLACED ON REMOVING INFRASTRUCTURE BOTTLENECKS. INFLATIONARY IMPACT OF INCREASED SPENDING NO DOUBT. WILL BE WORRISOME, BUT ECONOMIC DEVELOPMENT PROSPECTS REMAIN BRIGHT. ENBASSY PREPARING SEPTTEL ON POLITICAL/SOCIAL ASPECTS SHAH'S SPEECH. END SUMMARY.

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2. LONG-AWAITED REVISED IRANIAN FIFTH DEVELOPMENT ANNOUNCED ON AUGUST 3. WHILE NEW PLAN DOCUMENTS NOT YET AVAILABLE, PRESS REPORTS DEVELOPMENT OUTLAY DURING FIVE-YEAR PERIOD (MARCH 21, 1973 - MARCH 20, 1978) EXPECTED TO TOTAL \$68.6 BILLION OR ABOUT 92 PERCENT INCREASE OVER \$35.8 BILLION IN ORIGINAL VERSION OF PLAN. SOME \$45 BILLION WOULD BE IN PUBLIC SECTOR OUTLAY, WITH REMAINDER TO COME FROM PRIVATE SECTOR.

3. ACCORDING TO PRELIMINARY FIGURES APPEARING IN PRESS, BIGGEST PROPORTIONATE SPENDING INCREASES FROM ORIGINAL PLAN WILL BE MADE IN OUTLAYS FOR ELECTRIC POWER (\$3.6 BILLION, UP 353 PERCENT), GOVERNMENT CONSTRUCTION (\$4.7 BILLION, UP 252 PERCENT), AND PETROLEUM (\$4.9 BILLION, UP 156 PERCENT). REVISED PLAN EXPENDITURES FOR AGRICULTURE AT \$3.5 BILLION AND INDUSTRY AT \$5.2 BILLION REPRESENT INCREASES OF 98 AND 96 PERCENT, RESPECTIVELY. NEW TOTAL FOR SOCIAL WELFARE EXPENDITURES IS \$6.1 BILLION, OR 67 PERCENT INCREASE OVER ORIGINAL VERSION OF PLAN. BIGGEST PORTION OF INCREASE IS GOING TO HOUSING, HOWEVER, WHICH BEING INCREASED BY 156 PERCENT TO \$3.4 BILLION. ON OTHER HAND, EDUCATION EXPENDITURES AT \$1.9 BILLION INCREASED BY ONLY SLIGHTLY OVER TWO PERCENT.

4. OVERALL, GNP EXPECTED TO GROW AT ABOUT 26 PERCENT AVERAGE ANNUAL RATE, AT CONSTANT PRICES DURING FIVE YEAR PLAN PERIOD. DURING FIRST TWO YEARS OF PLAN, GNP IS TO INCREASE BY 33 AND 51 PERCENT, REPRESENTING OIL PRICE HIKES, WITH PROJECTED GROWTH TO LEVEL OFF TO ABOUT 16.5 PERCENT ANNUAL RATE DURING FINAL THREE YEARS. TOTAL GNP SHOULD BE ABOUT \$54 BILLION BY END OF PLAN AND IN \$1,500 - \$1,600 RANGE ON PER CAPITA BASIS. AGRICUTURAL OUTPUT IS EXPECTED TO GROW AT SEVEN PERCENT ANNUAL RATE DURING PLAN RATHER THAN 5.5 ORIGINALLY PROJECTED AND INDUSTRY AND MINING AT 18 PERCENT COMPARED TO 15 PERCENT IN ORIGINAL PLAN.

5. IN AUGUST 4 STATEMENT, PLANNING MINISTER AND PLAN AND BUDGET ORGANIZATION DIRECTOR A.M. MAJIDI ACKNOWLEDGED OFTEN CITED INFRASTRUCTURE BOTTLENECKS IN IRANIAN ECONOMY AND SAID PORT, RAIL AND ROAD CAPACITY WILL BE RAPIDLY EXPANDED BY GOING TO THREE-SHIFT OPERATION IN PORTS AND ELECTRIFYING RAILWAYS "AS NECESSARY." MAJIDI ALSO SAID PROJECTED ECONOMIC GROWTH WOULD INCREASE JOBS BY ABOUT 2 MILLION IN IRAN DURING FIFTH PLAN PERIOD. THE 400,000 SHORTFALL PREDICTED IN LABOR FORCE WOULD BE MADE UP BY EMPLOYING MORE LIMITED OFFICIAL USE

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WOMEN, IMPORTING ADDITIONAL FOREIGN TECHNICIANS, AND BY STEPPED UP JOB TRAINING PROGRAMS.

6. MILITARY EXPENDITURES NOT INCLUDED IN DEVELOPMENT PLAN. HOWEVER, COUNTRY'S CONTINUED COMMITMENT TO BOTH GUNS AND BUTTER PALINLY REAFFIRMED BY SHAH IN AUGUST 2 REMARKS ON FIFTH PLAN WHEN HE REFERRED TO NECESSITY FOR STRONG ARMED FORCES IN WORLD WHERE "LAW OF JUNGLE" PREVAILS. ACCORDING TO USUALLY RELIABLE SOURCE IN IRANINA MILI-

TARY, DEFENSE SPENDING THIS IRANIAN YEAR (ENDING MARCH 20, 1974) EXPECTED TO TOTAL ABOUT \$6.2 BILLION COMPARED TO \$5.1 BILLION ORIGINALLY ESTIMATED. FOR NEXT YEAR, \$10 BILLION IN MILITARY SPENDING IS PROJECTED.

7. COMMENT: AIRGRAM ON REVISED FIFTH DEVELOPMENT PLAN WILL FOLLOW AS MORE COMPLETE AND RELIABLE DATA BECOME AVAILABLE. AT FIRST GLANCE, ONE OF MOST DIFFICULT PROBLEMS WITH WHICH GOI WILL HAVE TO CONTEND IS INFLATIONARY IMPACT OF NEARLY DOUBLED FIFTH PLAN SPENDING. ANNUAL RATE OF INFLATION PROBABLY ALREADY IS IN 20-25 PERCENT RANGE. GOI UNDOUBTEDLY HOPES INCREASED OUTLAYS FOR SOCIAL WELFARE WILL BLUNT EFFECTS OF INFLATION SOMEWHAT AMONG CLASSES HURT MOST. ACCORDING TO ONE REPORT, IN ADDITION TO MORE THAN \$6 BILLION ON SOCIAL WELFARE EXPENDITURES NOTED ABOVE, \$3.1 BILLION IS EXPECTED TO BE SPENT DURING FIVE YEAR PERIOD ON SUBSIDIZED PRICES OF BASIC COMMODITIES.

8. CRASH PROGRAMS NOTWITHSTANDING, GOI WILL HAVE DIFFICULTY MAKING NOTICEABLE HEADWAY IN REMOVING WORST BOTTLENECKS FROM ECONOMY IN SHORT RUN. SMALL INCREASE IN EXPENDITURE ON EDUCATION PROBABLY REFLECTS REALIZATION THAT OUTLAYS ORIGINALLY PLANNED MAY ALREADY HAVE BEEN AS MUCH AS COULD BE UTILIZED DURING PLAN PERIOD. PLANNED INCREASE IN AGRICULTURAL PRODUCTION IS DOUBLE AVERAGE ATTAINED IN RECENT YEARS AND PROBABLY IMPOSSIBLE TO ACHIEVE. NEVERTHELESS, MOST OF IRAN'S RELATIVELY MINOR PROBLEMS OF IMBALANCE IN ECONOMY APPEAR SOLUBLE IN LONG RUN. ASSUMING INFLATION CAN BE KEPT UNDER REASONABLE CONTROL, OUTLOOK FOR IRAN'S CONTINUED PROSPERITY AND RAPID DEVELOPMENT REMAINS BRIGHT.

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